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APPROVED BY D:WCHRISTOPHER

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TO AMEMBASSY BUENOS AIRES IMMEDIATE

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E.O. 11652: GDS

TAGS: AR, SHUM, PCAT

SUBJECT: DEPUTY SECRETARY MEETS WITH ARGENTINE AMBASSADOR

1. ARGENTINE AMBASSADOR AJA ESPIL MET WITH THE DEPUTY SECRETARY ON MAY 19 FOR 45 MINUTES. UNDERSECRETARY NEWSOM, DEPUTY ASSISTANT SECRETARY MCNEIL, SPECIAL ASSISTANT OXMAN, SEIDENMAN (TRANSLATOR) AND BUMPUS (NOTE TAKER) ALSO ATTENDED.

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7. AJA STRESSED TIMERMAN WAS A LONG-TIME PERSONAL FRIEND OF HIS. IN FACT, CONGRESSMAN GILMAN HAD RECENTLY CALLED THE AMBASSADOR TO ASK "HOW IS OUR MUTUAL FRIEND TIMERMAN"? THIS TRIANGULAR FRIENDSHIP GIVES AN INDICATION OF THE PERSONAL ELEMENT THAT PERMEATES THE PROBLEM, WHICH IS FURTHER COMPLICATED BY THE QUESTION OF SUBVERSION AND GUERRILLA ACTIVITY.

8. THE AMBASSADOR SAID THE SEPTEMBER 30 DEADLINE ON MILITARY TRANSFERS AND HIS FRIENDSHIP FOR THE UNITED STATES MADE IT IMPERATIVE FOR HIM TO TRY TO IMPROVE THE RELATIONS BETWEEN OUR TWO COUNTRIES. THERE ARE PEOPLE IN ARGENTINA WHO WANT TO TURN AWAY FROM THE UNITED STATES: WE MUST NOT OPEN DOORS FOR THEM, HE SAID.

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9. THE AMBASSADOR STATED THAT FOR SIX MONTHS THE ARGENTINE GOVERNMENT HAS BEEN BEGGING FOR SPARE PARTS. IT IS A GENERAL TRADE PRACTICE THAT THE SUPPLIER WILL FURNISH SPARE PARTS, YET THE ARGENTINES HAVE TO BEG. SINCE 1977 THEY HAVE ASKED FOR THREE S2E TRACKER AIRPLANES FOR THE NAVY AND TWO CATERPILLAR TRACTORS FOR THE ARMY. THEY HAVE BEEN TOLD THE SALES CANNOT BE APPROVED, AJA SAID.

10. THE AMBASSADOR SAID THAT "AS IF THIS IS NOT ENOUGH", THE GOA HAS NOW BEEN TOLD THAT THE EX-IM BANK CANNOT GIVE CREDITS TO ARGENTINA BECAUSE THE ASSISTANT SECRETARY FOR HUMANITARIAN AFFAIRS HAS REFUSED TO GIVE HER APPROVAL. ALLIS CHALMERS MAY LOSE A \$100 MILLION SALE OF GENERATORS FOR THE YACIRETA DAM BECAUSE OF THIS. THE SALE MAY GO TO THE USSR. HOW CAN THE STATE DEPARTMENT BLOCK SUCH A SALE, WHICH IS CLEARLY FOR DEVELOPMENTAL PURPOSES? WHAT WILL SENATOR STEVENSON SAY WHEN HE HEARS THAT A CHICAGO COMPANY HAS LOST THIS SALE, ASKED THE AMBASSADOR.

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JORGE A. AJA ESPIL
Ambassador of Argentina

Rec'd from AjA Espil, 5/19/78

AIDE MEMOIRE

The Argentine Government views with satisfaction the new position of the Carter Administration regarding the explosive situation created by the presence of Marxist forces in Africa.

Some sectors of the Administration chose not to recognize the progress made by the Argentine Republic in the area of human rights, particularly regarding a series of measures taken after September 1977.

- The release of 389 detainees over the Christmas holidays.
- The re-introduction of the right of option.
- The publication of lists of detainees.
- The release of Mr. Jacobo Timmerman and placed under house arrest.
- The release of members of the Deutsch family.

It seems that those sectors consider that the "Intermediate Steps" lack any value and for the sake of their own political triumph look to implement the policy of "all or nothing". That position seems to indicate that unless all those detainees involved in subversive activities are released (as on May 25, 1973), the pressures will continue to increase.

These same sectors have preferred to ignore the speech made by the Minister of Interior, General Albano Harguindegui, to the chiefs of police in which he recognizes that during the struggle against subversion the security forces exceeded their authority, and gave explicit instructions to put an end to it.

The Argentine Republic sees with displeasure the punitive delays imposed by some sectors of the Department of State in the processing of exporting licences for Military equipment.

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Besides its negative influence on the bilateral Argentine-United States relations, these measures clearly show that the United States is a non-trustworthy supplier since the freezing of spare parts has arrested the functioning of equipment previously purchased, thus violating traditional commercial practices.

There are already many licences that have been "Frozen" for more than six months by measures taken by certain sectors of the Department of State which go beyond the present legal dispositions sanctioned by the Congress of the United States.

The Argentine Republic has received no official explanation regarding this situation. Quite to the contrary, during conversations held with officers from the Department of State the Embassy was promised on several occasions that the approval of these licences was imminent.

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The Embassy is aware that the necessary clearance from the Department of State of the EXIMBANK operations have begun to be systematically delayed, when related to Argentina.

These new limitations refer not only to the public sector but also to the private one. They include, for instance, direct credits for the State company "Aerolineas Argentinas" as well as for private firms. This means that the Argentine Government carries out efforts to improve a complex political and economical situation while the Government of the United States creates all kinds of obstacles that slow down the process of recovery. Likewise, the stagnation of the "Letters of Interest" from the EXIMBANK threatens to blockade the participation of American suppliers in important binational projects. In this way, for example, the delay imposed upon the "Letters of Interest" regarding the supply of turbines for the binational Yacireta project for US\$ 135 million on a total of 270, threatens the participatio

3.

of an important American firm in the international public bidding for the supply of turbines.

Finally, this rigid attitude of certain sectors of the Department of State raises antagonisms among the peoples of our nations which have shared a long tradition of friendship and understanding as shown in the continued progress in other areas of the bilateral relationship such as that related to the efforts carried out in favor of non-proliferation, which has been up to the present very fruitful.

NARA

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Box 27

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